Iowa Farm Science

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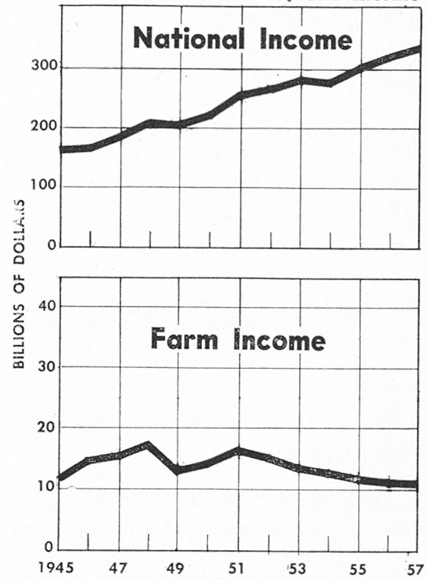
Farm Outlook

Iowa Farm Science Editorial Board

Farm Outlook...

Gross National Income vs. Farm Income

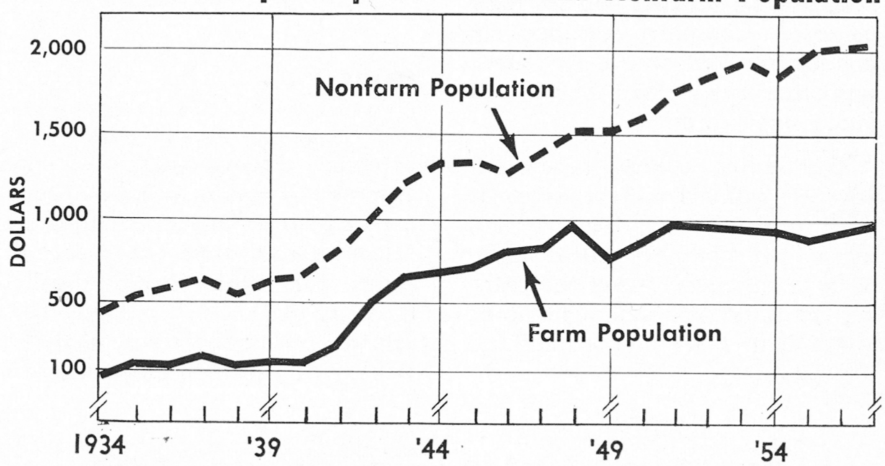


THE LOW POINT of the current recession occurred last April, according to observers who study eight economic indicators which have been reliable guides in the past. This recession cut deeper than the two previous postwar setbacks, but the recovery upturn came faster. Unemployment was aggravated by a greater than usual increase in the working force. Nearly 1 million workers were added to the labor force compared with the usual rate of 0.5 to 0.6 million per year. Average weekly earnings for those working reached record highs.

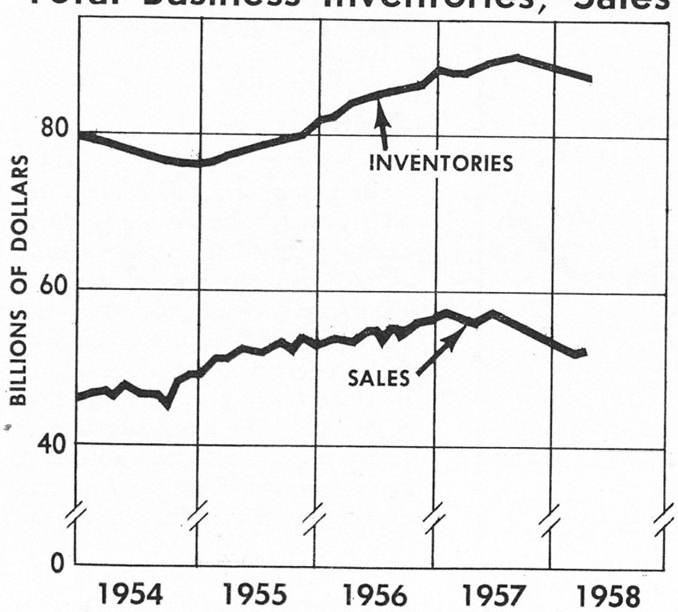
Consumer spending for durable goods was low during the past year. Spending for nondurable goods slacked off a bit but by April had turned up and was only a little under the year before.

The chart shows the decline in activity for durable goods industries. The close alignment of new orders to sales since the upturn points up the extent to which dealers' inventories have been brought into balance. Manufacturers' inventories have been drawn down, and business increases in the coming months will result in increases in production. Industry now has excess capacity—the plant and equipment available can produce more than enough products for current demand. Return to full employment will be slow because full employment depends on a higher rate of capital spending for plant and equipment. With the present excess capacity, capital expenditures

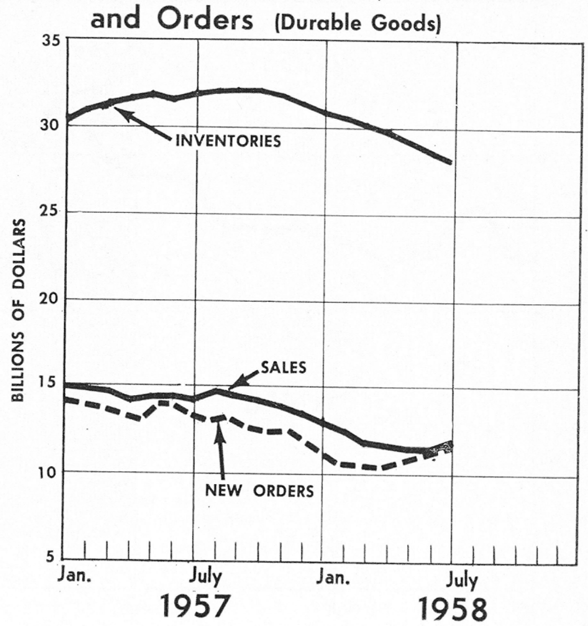
Av. Net Income per Capita of Farm and Nonfarm Population



Total Business Inventories, Sales



Manufacturers Sales, Inventories and Orders (Durable Goods)



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will be lower than necessary for full employment.

Looking ahead to 1959, a higher rate of government spending will be a strong part of the economy. Increases in residential construction will also give the economy a boost. Rebuilding of inventories will continue during the next year, and purchases of durables will see some increase. Consumer spending for nondurables will move up some, supported by a small increase in purchasing power.

The decline in farm income relative to national income is made clear by the charts. But net farm income per capita has gained slightly in recent years. Over the years, per capita farm income tends to be about half that of the nonfarm population.

Demand for farm products will likely continue strong during the coming year because of the increased rate of economic activity. Costs for things farmers buy will continue to rise. Compared with the upward movement in the rest of the economy, little rise in farm income is likely as surplus production increases.

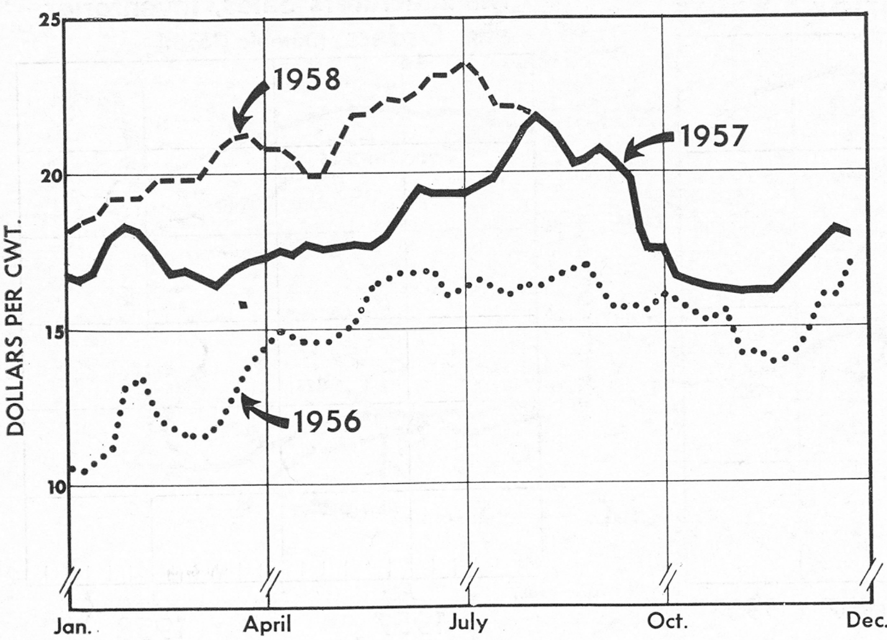
Hogs . . .

Hog prices stayed higher than expected through July and into August. Because supplies aren't expected to be greater through the fall than they were last year, fall prices for 1958 should parallel those of 1957. Any December-January price bubble will likely be lacking this year in anticipation of larger marketings from the sharply increased fall pig crop. More likely, there'll be a gradual downtrend in price until spring.

The stretching out of high summer prices helped build optimism among hog breeders, especially since feed supplies are plentiful. This could lead to a spring pig crop increase about like the rise in the fall crop. Because hog prices are now so sensitive to supply (a 1-percent rise in supply leads to an average 3-percent drop in price), serious price difficulty will almost surely result from such an increase.

Even considering the offsetting factors of increased population, some shortages in beef and a smoothing out in seasonal hog supply, present calculations point to low hog prices in the fall of 1959 if the spring pig crop increase is comparable to the fall increase. On the cost side, there's a chance that average feed corn prices will be lower than in 1955. But costs of equipment and supplies will be higher than they were in 1955.

Weekly Average Price Barrows and Gilts 200-240 lbs., at Des Moines, 1956-58



Cattle . . .

Beef supplies will remain relatively low for the coming year. The critical situation facing feeders right now is the buying of replacement cattle. With present average prices for feeder cattle, it's unlikely that feeders will get adequate profits from feeding at slaughter prices below $25. In the past few years, the spring and fall price pattern has been reversed from year to year. During the current season, slaughter prices were highest in the spring and lower this fall. This is likely to be reversed next spring and fall.